

Agenda Date: August 8, 2019  
Item Number: A5

**Docket:** UE-190445  
Company: Avista Corporation d/b/a Avista Utilities

Staff: Jim Woodward, Regulatory Analyst

## **Recommendation**

Issue an Order in Docket UE-190445 finding:

1. The 2019 renewable energy target for Avista Corporation is 514,144 megawatt-hours.
2. Avista Corporation has demonstrated that, by January 1, 2019, it acquired at least 514,144 megawatt-hours of eligible renewable resources sufficient to supply at least 9 percent of its load for 2019.
3. Avista Corporation has complied with the June 1, 2019, reporting requirements pursuant to WAC 480-109-210.
4. Avista has performed its required five-year incremental hydropower method three evaluation and is requesting permission to switch to method one to calculate its incremental hydropower contribution starting in 2019.
5. Avista is granted permission to switch to method one to calculate its incremental hydropower contribution for its 2019 report and subsequent years to more accurately estimate yearly generation at eligible hydropower facilities.
6. In the final compliance report for 2019 required by WAC 480-109-210(6), Avista Corporation must provide details about which certificates were used for its various renewable energy programs.<sup>1</sup>

## **Background**

In 2006, Washington voters approved Initiative 937, also known as the Energy Independence Act (EIA). Codified in RCW 19.285 and Chapter 480-109 WAC, the EIA created a renewable portfolio standard (RPS) that requires electric utilities with more than 25,000 customers to serve 9 percent of their 2019 retail load with eligible renewable resources and to file an annual compliance report (RPS report) by June 1 of each year.<sup>2</sup> The Washington Utilities and Transportation Commission's (commission) rules further require a final compliance report, filed no later than two years after the initial report.

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<sup>1</sup> WAC 480-109-210(2)(d)(i). Each certificate in WREGIS may be retired by Avista for only one purpose. Retirement may be under the Buck-a-Block voluntary renewable energy program authorized by RCW 19.29A.090, or it may be retired for RPS compliance, but not both. If Avista reports on certificates that have not yet been retired, they could also be characterized as owned by the customer.

<sup>2</sup> RCW 19.285.040; RCW 19.285.070; WAC 480-109-200(1).

Avista Corporation d/b/a Avista Utilities (Avista or company) filed its annual RPS report on May 30, 2019. On June 21, 2019, Avista filed a revised report unredacting its incremental cost information. The company also corrected select workpaper inconsistencies around the quantities of qualifying generation anticipated from its eligible resources for 2019 target year compliance. Avista's 2019 target is 514,144 MWh. Commission staff (staff) filed written comments on July 15, 2019, which highlighted issues identified during staff's review of compliance with the rule. These comments are included as an attachment to this memo.<sup>3</sup>

## **Discussion**

Based on the information that Avista provided in its report, staff believes that the company correctly calculated its 2019 RPS target and has acquired sufficient resources to meet that target.

Table 1 summarizes Avista's 2019 target and the total amount of resources that the company had acquired by January 1, 2019, and illustrates the company's overall compliance position:

**Table 1: Avista's 2019 Renewable Resource Target and Compliance Plan**

<b>2019 Target (MWh)</b>	<b>Incremental Hydro (MWh)<sup>4</sup></b>	<b>2018 RECs</b>	<b>2019 RECs</b>	<b>Purchased RECs (unbundled)</b>	<b>Total Resources in 2019 (MWh)</b>
514,144	157,657	0	653,192	0	810,849

Incremental hydropower method three five-year evaluation: Companies have a choice of one of three methods to calculate their incremental hydropower generation.<sup>5</sup> The first two methods require annual estimates of the generation attributed to the incremental hydropower enhancements at a company's upgraded hydropower facilities based on a percentage of actual generation. In contrast, method three allows a one-time eligible resource calculation that estimates constant eligible hydropower facility generation from year to year.

Avista has been the only company using method three, and its one-time eligible resource calculation was originally performed in 2014. As required by rule, as part of its 2019 RPS annual report, Avista compared the reported generation from method three with the generation it would have reported under one of the other two methods.<sup>6</sup> WAC 480-109-200(7)(e) requires this five-year evaluation to mitigate staff concerns that method three does not capture the effect of future

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<sup>3</sup> Commission Staff Comments Regarding Electric Utility Renewable Portfolio Standard Report under the Energy Independence Act, RCW 19.285 and WAC 480-109 (2019 Renewable Portfolio Standard Reports) (July 15, 2019).

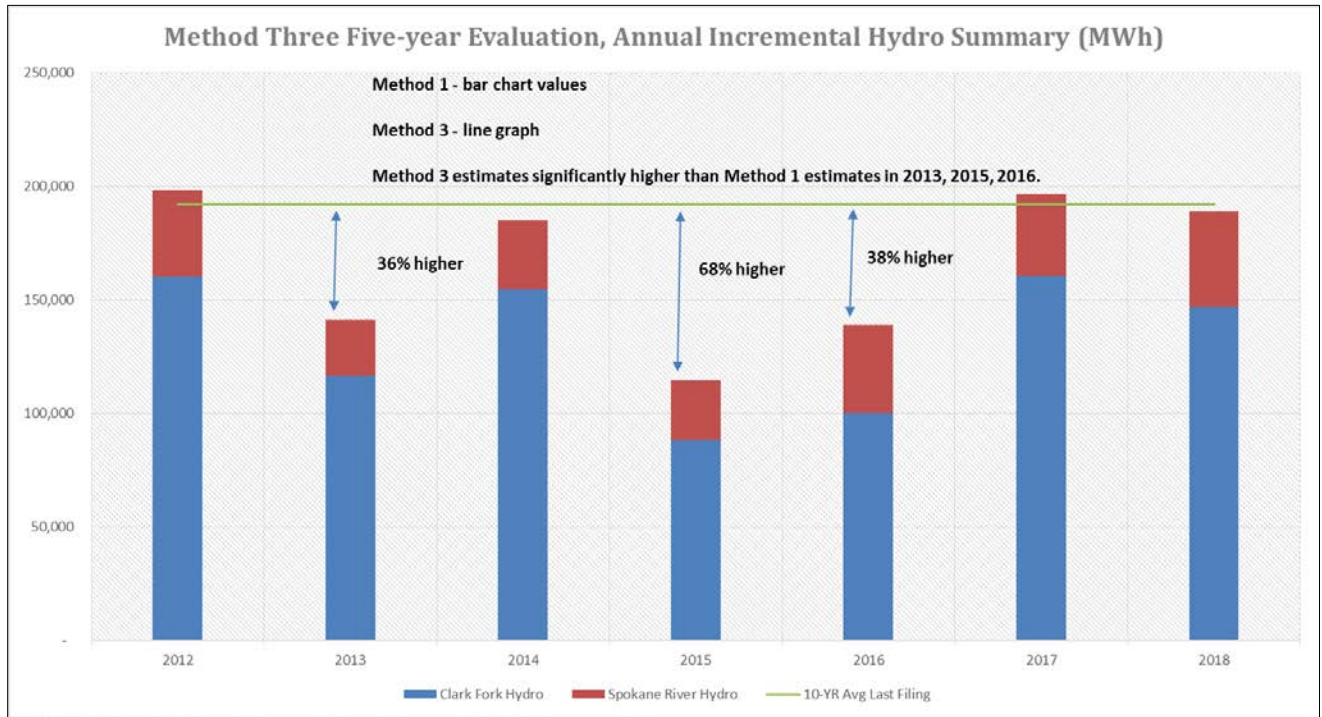
<sup>4</sup> Calculation based on method one, WAC 480-109-200(7)(b). Avista's calculation used actual 2019 data for January through April, and 2018 actual data for May through December. In the final compliance report, this value will be updated with actual generation for the full 2019 calendar year.

<sup>5</sup> WAC 480-109-200(7).

<sup>6</sup> WAC 480-109-200(7)(e).

changes in long-term stream flow patterns. Specifically, method three may prove less reliable in the future because climate models indicate the region’s summer river flows may decline over time.<sup>7</sup>

Avista worked with staff to develop an evaluation procedure comparing its legacy method three incremental hydropower generation against method one for the company’s eleven eligible hydropower facilities. Figure 1 illustrates the results of Avista’s method three evaluation.



**Figure 1: Avista’s Incremental Hydro Method One vs. Method Three Comparison for All Eleven Eligible Hydropower Facilities, 2012 – 2018**

Avista’s five-year evaluation demonstrates that the one-time method three calculation overestimated the annual eligible generation determined using method one. Avista has asked to switch to method one to calculate their incremental hydropower contribution in 2019 and subsequent years. Staff concurs with Avista’s proposal to switch from method three to method one for the company’s incremental hydropower calculation.

Incremental costs: Avista reported its incremental cost for the 2019 compliance plan as - \$2,278,090, or -0.5 percent of revenue requirement.<sup>8</sup> Avista continues to report negative incremental costs. However, Avista’s costs rose 0.2 percent between 2018 and 2019. The

<sup>7</sup> See Docket UE-131723, General Order R-578 ¶¶ 99 - 100 (March 13, 2015).

<sup>8</sup> See Docket UE-190445, Annual 2019 Target Year Estimate. Avista workpaper A.

incremental hydropower portion of the company's overall resource portfolio, which is primarily characterized by negative incremental costs, declined due to the company's proposed switch from method three to method one in calculating its incremental hydropower contribution.<sup>9</sup> The RPS report contained sufficient information to review incremental cost calculations, including a completed version of the template developed by staff during the 2016 RPS process.

Documentation of certificate use: Avista will need to document its use of the company's renewable resources under various renewable energy programs, which will allow staff to review the eligibility of the resources for meeting the EIA requirement. Because the statute explicitly disallows any resources used for voluntary renewable energy programs in RCW 19.29A.090, the commission requires the companies to include some information about the usage of the certificates. While the rule requires this information in the annual report, staff believes it will be more helpful in the final compliance report, and asks the commission to require the company to include the information there. Thus, in the final compliance report for 2019, Avista must list details about program usage, as required by WAC 480-109-210(2)(d)(i).

### **Public Comments**

The commission received one set of public comments regarding Avista's report, which were filed by the Northwest Energy Coalition (NWECC) on July 15, 2019. NWECC commended the company for meeting its target without relying on alternative compliance mechanisms.

NWECC expressed reservation about Avista's long-held assumption that using a combined cycle combustion turbine (CCCT) was adequate for calculating noneligible resource costs. Given the recent passage of Washington's Clean Energy Transformation Act (CETA), NWECC maintains such noneligible resources should at least include the social cost of carbon. NWECC noted this concern, but overall was pleased that the company met its target, and recommended that the commission approve the report.

### **Conclusion**

Issue an order as described in the recommendations section of this memo.

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<sup>9</sup> See WAC 480-109-200(7).